UNITED NATIONS

DEVELOPMENT

PROGRAMME

UNDP

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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF BANGLADESH

IPF:(1992-96) $163 172 000

(BGD/92/003) - Second Gas Development Project: Consultancy Services for Construction Supervision - (Phase II)

Date of approval by the AC:[1/]	10 June 1992
Expected duration:	Five years
Proposed executing agency:	Government
Government implementing agency:	Bangladesh Oil, Gas and Minerals Corporation, (BOGMC) (Ministry of Energy and Mineral Resources)
Proposed UNDP contribution:	Nil
Government cost sharing:	$ 5 000 000
Total UNDP budget:	$ 5 000 000

Project background

Per capita energy consumption in Bangladesh is approximately 100 kilograms of oil equivalent per annum making commercial energy consumption in the country to be among the lowest in the world. Approximately 60 per cent of the supply is derived from biomass fuel sources, namely firewood, crop residues and animal dung. The balance is derived from commercial fuels, of which about 34 per cent is supplied from imported petroleum, 59 per cent from indigenous gas, five per cent from imported coal and two per cent from hydroelectricity. Despite the low level of energy consumption, the country spends 60 per cent of its export earnings on petroleum imports, representing a severe drain on the country's limited foreign exchange resources. In an effort to alleviate this problem, the Government of Bangladesh places high priority on the development of its reserves of natural gas, and natural gas liquids. Reserves in place are estimated at 15 trillion cubic feet of gas and 18 million barrels of condensate. This represents the reserves of five gas fields which are already in production. The reserves of the remaining 12 gas fields which are not operational yet, are based on earlier reservoir study results, believed to be quite substantial. Proven reserves represents about 20 years of production after factoring in domestic consumption requirements.

UNDP has participated in the multi-donor supported Second Gas Development Project

[1/] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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(SGDP) since its inception in 1985, through funding the technical assistance requirements in the form of the respective projects (BGD/85/022) - SGDP Well Drilling Supervision, and (BGD/85/023) SGDP Consulting Services for Infrastructure Engineering and Construction Supervision, with UNDP inputs of (US)$4.37 million and (US) $6.61 million, respectively. The other donors participating in SGDP are the World Bank/IDA, the lead donor with SDR 112.9 million (equiv. (US)$ 150 million), the Dutch Government with DFl 32 million, the British Government with Pounds Sterling 25.1 million, and the Canadian Government with (C)$48.4 million in contributions, in all, totalling approximately (US) $264.23 million.

The SGDP project experienced substantial initial delays due to problems in procurement of the drilling contractor, funded by the Canadian Government. Although the actual drilling work was completed faster than scheduled, there is now a total delay of three and a half years in the project's implementation. The SGDP investment co-financiers have agreed to continue to finance the project, on the condition that the Government ensures that the necessary construction supervision services are made available, as a continuation of the arrangements under the project BGD/85/023. Current project funds will be expended by the end of June.

Description of project

The immediate objectives of the project are to: (a) undertake comprehensive training needs assessment; (b) implement management and technical training programmes; (c) develop institution-building studies which will be aimed at strengthening the institutional structure and capacities in the gas sector; and (d) ensure the sub-sector's optimal contribution to the socio-economic growth of the country.

The studies will include, among others, the long-term development and investment plans for the sub-sector, an assessment of the institutional and regulatory mechanisms for gas pricing, efficiency audits of the gas operating companies, and technical assistance on the formation of a national gas transmission company.

Inputs

UNDP will provide through the Government services of the engineering supervision consultants, (864 work-months); two sub-contracts to provide the necessary engineering supervision for the remainder of the SGDP implementation period for the training component; and 16 work-months for consultants to carry out the institution-building studies; equipment and logistical support costs, as well as monitoring and evaluation costs.

Financial data

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Personnel	55 000
Subcontract	4 766 000
Equipment	144 000
Miscellaneous	35 000
Total	5 000 000

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